Nunnenkamp, Peter; Öhler, Hannes

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# Donations to US based NGOs in International Development Cooperation: How (Un-)Informed Are Private Donors?

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# Donations to US based NGOs in International Development Cooperation: How (Un-)Informed Are Private Donors?*

Peter Nunnenkamp and Hannes Öhler

Abstract:
Apart from scaling up foreign aid by NGOs, informed choices of private donors could also encourage an efficient and targeted use of NGO funds in international development cooperation. We assess the determinants of private donations across a large sample of US based NGOs with foreign aid activities. OLS and 2SLS estimations indicate that donors hardly make use of publicly available information on NGO characteristics, notably the "price of giving" and the degree of specialization, when deciding on donations. They rather rely on the frequently offered option to designate donations to preferred purposes – even though this behavior would be rational only under conditions that are unlikely to hold.

Keywords: non-governmental organizations; specialization; private donations; informed choices; price of giving; option to designate

JEL classification: L31; F35; D80

**Peter Nunnenkamp**
Kiel Institute for the World Economy

Hindenburgufer 66
24105 Kiel
Germany
phone: +49-431-8814209
E-mail:peter.nunnenkamp@ifw-kiel.de

**Hannes Öhler**
Georg-August University Goettingen

Platz der Goettinger Sieben 3
D-37073 Goettingen,
Germany
phone: +49 551 39 10782
E-mail: hoehler@uni-goettingen.de

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> Charities may be aided in the perpetuation of their opacity by a public that seems unwilling to be freed from its ignorance.
>
> *The Economist,* November 13th, 2010, page 68

## 1. Introduction

Non-governmental organizations (NGOs) could contribute to international development cooperation in two ways. They may engage in activities and locations where official aid agencies have no access or where government-to-government transfers are unlikely to reach the poor. At the same time, NGOs may mobilize financial resources from private donors and, thereby, help scale up international aid efforts. The recent literature has focused on the first issue, in particular by analyzing whether the allocation of NGO aid across recipient countries differs from the allocation of official aid (e.g., Koch et al. 2009; Dreher et al. 2010). The second issue has attracted less attention, even though NGOs are widely considered to play an increasingly important role in supplementing official aid resources. For instance, McCleary and Barro (2008) report recent estimates according to which more than 40 percent of development aid by the United States is channeled through NGOs.[1]

It mainly depends on how private donors react to the fundraising and "marketing" efforts of NGOs whether additional aid funds can be mobilized. Furthermore, donations by well informed private donors could render NGO aid more effective by selecting more efficient NGOs. For instance, donors could strengthen the development orientation of NGOs by directing donations to NGOs with low unproductive overheads and better targeted aid activities. Previous studies on NGOs in international development cooperation have hardly addressed these issues as detailed and comparable balance sheet data are typically not available for a sufficiently large number of NGOs active in this field.

In this paper, we draw on the registry of US based NGOs provided by the United States Agency for International Development (USAID). We combine the balance sheet data available from USAID with additional information collected from the NGOs' own websites. This allows us to address several hypotheses on the reactions of private donors to fundraising efforts and relevant NGO features. Our focus is on whether donors make informed choices, or are as ignorant as the above quote from *The Economist* suggests. In particular, we assess (i) whether donors give more to

[1] See also Werker and Ahmed (2008: Figure 1).

specialized NGOs whose activities tend to be better aligned with donor preferences; (ii) whether donors prefer NGOs for which a relatively low "price of giving" indicates a strong development orientation; and (iii) whether donors tend to be mistaken by possible options to designate private donations to specific aid activities, being unaware that designations are binding only under exceptional circumstances.

We perform OLS and 2SLS estimations for a cross-section of more than 500 US based NGOs. This implies that we analyze how individual NGOs may attract higher private donations, while the question of whether the sum of private donations to all NGOs increases cannot be resolved in this way.[2] In Section 2, we derive hypotheses from the related NGO literature. This literature is mainly concerned with the activities and financing of NGOs at the local and national level. It provides an important analytical background, even though NGOs and private donors appear to behave differently across sectors.[3] Section 3 describes in more detail the data and methods applied. The empirical results in Section 4 indicate that donors hardly make use of publicly available information on NGO characteristics, notably the price of giving and the degree of specialization, when deciding on donations. They rather rely on the frequently offered option to designate donations to preferred activities. Section 5 concludes.

## 2. Analytical background and hypotheses

While the financing of NGOs in international development cooperation has received only scant attention until recently, a much larger literature exists on the intricate links between various revenue and expenditure items of NGOs with activities at the local and national level, including arts and culture, education and research, health care, and services to the poor. As concerns the mobilization of private donations, two issues have been analyzed most thoroughly: the links between official and private financing of NGOs, in particular the reaction of private donors to NGO reliance on official refinancing, and the effectiveness of fundraising.

Official refinancing of NGOs may crowd out private donations to the extent that it reduces the marginal valuation of the NGO's charitable output by private donors (Otken and Weisbrod 2000: 268). On the other hand, official support could be taken by private donors as a signal of government approval and social need so that private donations may even be crowded in. The

[2] As stressed by Aldashev and Verdier (2010), fundraising efforts by one particular NGO have two effects: diverting away donations from other NGOs and increasing the overall pool of donations (by "awakening" or "activating" potential new donors). The subsequent analysis does not capture the effects of "awakening" on donations given to NGOs other than the NGO that does the fundraising.

[3] For instance, Okten and Weisbrod (2000) find "notable variation across industries" when assessing the determinants of donations to national NGO activities such as libraries, art and museums, services to the poor, hospitals, scientific research, and higher education. Yi (2010) concludes that fundraising efficiency varies across a similar set of NGO activities within the United States.

empirical evidence is inconclusive: Official refinancing has crowded in private donations according to Otken and Weisbrod (2000), Khanna and Sandler (2000) and Heutel (2010); Payne (1998) and Andreoni and Payne (2003) find crowding out, with official refinancing having indirect effects on private donations through weakening the NGOs' incentives to engage in fundraising. All these studies focus on NGOs operating within their home countries. By contrast, Ribar and Wilhelm (2002) provide estimates for a small sample of 125 international relief and development organizations, finding little evidence for crowding-out in the late 1980s and early 1990s. McCleary and Barro (2008: 529) perform some fixed-effects regressions which indicate that official support to internationally active NGOs was "a magnet for attracting private funds."

Similar to official funds, commercial revenues of NGOs – e.g., from sales – have theoretically ambiguous effects on donations (Segal and Weisbrod 1998).[4] On the one hand, donors may disapprove of commercial activity by NGOs and reduce their donations accordingly. On the other hand, they may honor NGOs' own efforts to ensure sustainable financing by increasing donations. The (limited) empirical evidence does not support the hypothesis that commercial revenues crowd out donations (Otken and Weisbrod 2000).

Apart from assessing the links between different types of NGO revenues, the effects of fundraising expenditures by NGOs on their revenues from donations have received considerable attention. In an earlier theoretical contribution, Rose-Ackerman (1982) presented a model in which donors dislike NGOs with high fundraising expenditures. All the same, fundraising *per se* can be expected to be positively related with private donations.[5] Aldashev and Verdier (2010: 52) argue that "the fundraising effort of an NGO serves to persuade donors that the NGO's project is 'closer' to their preferred dimension of development." An NGO may thus spend on fundraising to divert donations away from other NGOs. Furthermore, fundraising helps increase the overall amount of donations to be shared by all NGOs as it "awakens" potential new donors that had not supported NGOs before. Previous empirical evidence tends to support this reasoning on positive effects of fundraising (Khanna and Sandler 2000; Otken and Weisbrod 2000; Ribar and Wilhelm 2002).[6]

We account for the aforementioned factors in the subsequent analysis. Similar to large parts of the literature on local NGOs, however, the present study cannot establish clear causal links between fundraising, official refinancing and commercial revenues on the one hand and private donations on the other hand. This limitation is particularly serious in studies such as the present one

[4] Commercial revenues are termed "private revenues" in the USAID database. These are distinct from (private) donations. We use the two terms, commercial and (other) private revenues, interchangeably in the following.
[5] The reasoning refers to the direct effects of fundraising on private donations; see below for indirect effects, i.e., fundraising expenditures increasing the price of giving.
[6] However, Song and Yi (2010) find the impact of fundraising by US based NGOs with arts-related activities to be "quite low", unless ticket sales are included as fundraising output.

which, for reasons of data availability, are purely cross-sectional. Clearly, fundraising and revenue items such as official refinancing cannot be assumed to be exogenous. As a consequence, we control for these variables without making strong causal inferences.[7] In any case, it would be hard to discriminate between informed and uninformed donor behavior based on their reactions to more official refinancing or higher spending on fundraising. For instance, it would be equally rational if private donations declined or increased in response to more official refinancing. The first reaction could indicate that private donors considered NGOs with more official refinancing to be less needy for private support; accordingly, they might shift their donations to NGOs in a more precarious financial situation. The second reaction could indicate that donors considered official refinancing to be a credible signal of the solidity and development orientation of the NGO so that their donations to this NGO were more likely to be used productively. Fundraising *per se* might be considered "excessive" (Rose-Ackerman 1982), or might be valued by donors as providing relevant information to be used for better alignment of donor preferences and NGO activity.

The focus of our analysis is on some more specific hypotheses which allow for a straightforward assessment of informed and uninformed donor choices. The first hypothesis relates to the so-called efficiency price of NGO activity, or price of giving. Ribar and Wilhelm (2002: 400) define the efficiency price as the "reciprocal of the share of service expenditures (total expenditures less fund-raising and administrative expenses) in total expenditures." Private donors are widely supposed to dislike NGOs that spend a large share of their revenues for unproductive purposes (e.g., Rose-Ackerman 1982).[8] A donated dollar "buys" less charitable output if the proportion of revenues spent unproductively on administration, management, and fundraising is relatively high. Consequently, informed donors are expected to reduce their donations to NGOs with a higher share of unproductive spending.[9] Indeed, when asked what kind of information is most important for deciding on donations, about half of survey respondents focus on how NGOs use their revenues (Hager et al. 2001).[10] Yet it is open to question whether donors actually incur the cost of collecting the information required to make informed choices.

Search costs may also have implications for the second hypothesis, according to which specialized NGOs would attract higher private donations than highly diversified NGOs. The

[7] As explained in more detail in Section 3, we mitigate endogeneity concerns related to official refinancing by using instruments in 2SLS estimations. However, it proved impossible to find appropriate instruments for fundraising with the data available from USAID.

[8] "Unproductive" stands for expenditure items that are not directly related to the NGO's charitable programs and projects; the costs of administration and management as well as expenses for fundraising fall into this category.

[9] Otken and Weisbrod (2000) find this hypothesis supported for US NGOs with local and national activities. However, the price of giving as defined by these authors does not account for administration and management costs.

[10] Just 13 percent of respondents state that they focus on an NGO's reputation. In an earlier survey, more than 80 percent of respondents rated as important or very important that NGOs spend "an adequate amount ... for program" (Hager et al. 2001: 3).

reasoning underlying this hypothesis is as follows. Donors have different preferences concerning the NGO activities they would like to support (e.g., Andreoni and Payne 2003). In the case of national NGOs, donors may prefer specific types of charitable output such as providing targeted services for poor population segments, promoting research and higher education, or supporting arts and culture. In the present context of internationally active NGOs, donors may also have preferences on where NGOs engage, e.g., in countries that are close-by or which appear to be neediest. NGOs competing for donors with certain preferences "try to differentiate the services and activities they offer from those of other NGOs" (Aldashev and Verdier 2010: 50). Bilodeau and Slivinski (1997) argue that there is a propensity of competing NGOs to specialize in the provision of services. These authors derive theoretically that more diversified activities tend to reduce the amount of private donations an NGO is able to collect. This is because donors prefer specialized NGOs whose activities are best aligned with donor preferences. Donors are expected to be more hesitant of giving to "a diversified charity [which] may allocate donations differently than would the donors themselves" (Bilodeau and Slivinski 1997: 450). It may seem obvious that "individuals like organizations that work on causes they think are important" (Hager et al. 2001: 3). It is a different matter, however, if donors actually give more to "organizations that they like." This proposition should hold if, and only if, donors are well informed about the type of activities an NGO performs.

The third hypothesis can also be derived from the important theoretical contribution of Bilodeau and Slivinski (1997). Arguably, diversified NGOs may avoid losing private donations when offering donors the option to designate how their donations are to be used. Indeed, many US NGOs engaged in international development cooperation allow for designations in two respects: donors may choose the type of activity and/or the recipient country they want to support (see also Section 3 on data and methods).[11] As stressed by Bilodeau and Slivinski, designations of this sort are only effective in aligning NGO activities with donor preferences if enough donors actually use the option of tying the NGO's hands. More precisely, the option to designate should induce higher donations only if undesignated funds were sufficiently small so that the NGO cannot circumvent donor instructions on how to use their donations by allocating undesignated funds according to its own preferences. Given that it is typically unknown to donors how large the share of undesignated

[11] The type of activity relates to "sectors" of aid (in the jargon of the OECD's Development Assistance Committee), e.g., social services such as education and health of economic infrastructure. We use the term "sectoral dimension" in the following.

funds is, rational donors cannot reasonably be expected to increase their donations simply because the NGO offers the option to designate.[12]

## 3. Data and method

Most of the data we use to assess whether private donors make informed choices are publicly and easily available from the United States Agency for International Development. USAID maintains an online registry of US based NGOs with activities in international development cooperation.[13] This registry provides recent information on all major revenue items such as official funds, donations, and other private revenues. The same applies to expenditure items. In particular, the registry differentiates between unproductive expenses for administration and management as well as fundraising on the one hand and program and project-related expenses (i.e., the charitable output private donors would like to support) on the other hand. This information is presented for 588 NGOs (as of February 2011), together with their names and some background information (including links to websites, etc.).[14]

The data on revenues and expenditures provided in the registry are matched with additional information on the portfolio of activities for essentially the same sample of US based NGOs. More precisely, it can be identified in which aid sectors and recipient countries each NGO is active.[15] This kind of information is important in the present context, as it indicates the degree to which a particular NGO is specialized along the geographical and sectoral dimension. Furthermore, we collected another set of NGO-specific information by carefully screening NGO websites for different options to designate private donations for specific activities. Importantly, we figured out which NGO allowed for designations along the geographical and sectoral dimensions for which we also have information on the degree of specialization. In this way, it becomes possible to assess whether private donors rely on designations mainly as an attempt to tie the hands of more diversified NGOs.

Finally, we draw on some widely used sources for additional control variables, including the population of recipient countries and the severity of natural disasters (which are often assumed to induce more private giving). Summary statistics are presented in Table 1, while data definitions and

[12] Even if the share of undesignated funds were known and small enough, it remains open to question whether NGOs could credibly commit themselves to adhere to donor designations *ex post*. Rational donors would anticipate such time inconsistency problems.
[13] See: http://pvo.usaid.gov/usaid/index.html; accessed: February 2011.
[14] The data on revenue and expenditure items used in the empirical analysis come from the 2009 VolAg Report: Report of Voluntary Agencies Engaged in Overseas Relief and Development (http://www.usaid.gov/our_work/cross-cutting_programs/private_voluntary_cooperation/volag2009.pdf), which lists 559 NGOs.
[15] It is not reported, however, how much the NGOs spend in particular sectors and countries.

sources as well as bivariate correlations are presented in more detail in Appendices A and B. The summary statistics reveal some interesting stylized facts on the sample of NGOs:

- The sample ranges from NGOs that hardly attract any private donations to NGOs with several hundred millions of donations. The range is still wider in terms of official refinancing and other private revenues.
- The NGOs in the sample spend, on average, about 14 percent of total expenditures on unproductive items, i.e., administration, management and fundraising. The price of giving, defined as the inverse of the share of charitable program expenditures in total expenditures, varies from one to more than two.
- The sample includes some highly specialized NGOs with activities in just one recipient country or aid sector. At the other extreme, some NGOs report activities in about 20 recipient countries and, perhaps more surprisingly, more than ten aid sectors.
- The option to designate is offered by more than one third of all NGOs in the sample. Interestingly, the option to choose specific sectors is more common than the option to choose specific countries where the donors require the NGO to spend their donations.

The combination of various sources of NGO-specific data (balance-sheet data, the portfolio of activities and options to designate) allows us to empirically assess the hypotheses on informed donor reactions to important NGO characteristics introduced in Section 2. However, our approach involves one major limitation. The matching of NGO-specific datasets is only possible for one particular point in time and cannot be repeated for past years. The subsequent analysis is thus bound to be purely cross sectional. This obviously constrains us to account for the possible endogeneity of some determinants of private donations.

For a start, we perform simple OLS estimations. We follow the previous literature and enter conventionally used right-hand-side variables in regressions on donations; these include: expenses for fundraising (*Log expenses for fundraising*), the price of giving (*Price*), official refinancing (*Log official funds*), and other private revenue (*Log private revenue*). We add some less common control variables, inter alia to account for the fact that we deal with NGOs in international development cooperation (see below for details). In all estimations, we control for the share of overseas programs in overall activities of each NGO (*Share of overseas programs*).[16] More importantly, we introduce two sets of variables in addition to the price of giving in order to test the hypotheses on informed donor choices: the degree of NGO specialization along the geographical and sectoral dimension (*Countries active* and *Sectors active*), and the options to designate donations along the same

[16] The average share of overseas programs is almost 80 percent (Table 1).

dimensions (*Designation option: countries* and *Designation option: sectors*) as well as in other dimensions (*Designation option: others*).[17]

In a second step, we perform 2SLS estimations, mainly to take the potential endogeneity of the degree of NGO specialization into account. Intuitively, larger NGOs (i.e., NGOs with higher total revenues) tend to be active in more sectors and/or countries. Indeed, looking at simple bivariate correlations reveals that NGOs' total revenues are positively correlated with *Countries active* (rho = 0.25), justifying endogeneity concerns with respect to this variable. By contrast, it turns out that larger NGOs do not tend to be active in more sectors. Therefore, endogeneity concerns with respect to *Sectors active* seem less severe. For this reason and in the absence of proper instruments for *Sectors active*, we used an instrument only for *Countries active*, i.e., the average number of countries in the closer neighborhood of the recipient countries in each NGO's portfolio.[18] The underlying idea is that the degree of diversification along the geographical dimension is higher if an NGO is active in regions where a large number of countries exist in the closer neighborhood. This, in turn, should not have any direct effect on the amount of private contributions. Private donors are likely to be indifferent to whether NGOs are active in countries with many neighbors.[19]

In an additional specification, we also account for the potential endogeneity of official funds. As instruments we use the average voting coincidence in the UN General Assembly between the United States and the recipient countries in each NGO's portfolio, a variable indicating whether these recipient countries contributed to the war against Iraq, a country dummy for Qatar, as well as sector dummies for "Conflict management", "Food security and food aid", "HIV/AIDS and infectious diseases", and "Policy advocacy". We tested for direct effects of these variables on private contributions and did not find any significant impact.

## 4. Results

We present the OLS results in Table 1. The baseline specification in column (1) includes fundraising expenditures as well as official funds and private revenues as major control variables. We also account for NGO characteristics such as the relative importance of overseas programs and the registration date. To assess whether donor choices are informed, we enter the price of giving

[17] The variable *Designation option: others* captures a heterogeneous variety of options to designate. These options range from choices of (just a few or a fairly large number of) specified projects to the possibility to enter self-defined preferred activities in a free text field.

[18] The closer neighborhood is defined as comprising countries within the average distance between two countries in the world, i.e., about 1,019 kilometers.

[19] In particular, we assume that political considerations (e.g., official donors may be interested in stabilizing a certain region where many independent countries exist) do not play a role for private donors.

(*Price*), the degree of specialization along the geographical and sectoral dimension (*Countries active; Sectors active*), and the dummy variable *Designation option* which equals one if donors have the option to designate their donations to particular recipient countries and/or sectors of NGO aid. In columns (2) and (3), we extend the list of control variables by selected characteristics of the recipient countries of aid from $NGO_i$, the number of other NGOs in the US state where $NGO_i$'s headquarter is located, and the fundraising expenditures of other NGOs whose activities overlap with those of $NGO_i$.[20] In the next steps, we refine the options to designate donations (*sectors*, *countries*, or *others*) in column (4), and account for possible interactions between the option to designate and the degree of specialization in column (5).

The baseline results on our major control variables in column (1) are largely in line with previous findings, even though the earlier literature is mainly concerned with NGO activities at the local or national level. Higher expenses for fundraising by $NGO_i$ are clearly associated with higher donations, at the one percent level of significance. The positive correlations of official funds and private revenues with donations point to complementarities and are in conflict with crowding-out effects. Both correlations are significant at the one percent level, although the size of the coefficient of *Log official funds* is fairly small. As noted in Section 2, official funds tend to crowd in donations to the extent that private donors regard the former as the government's approval of $NGO_i$'s financial solidity and development orientation. Likewise, it appears that private donors honor financial self-help by NGOs, rather than redirecting donations to NGOs without commercial activities.

NGOs receive higher donations if overseas programs account for a higher share in total expenditures, and if NGOs have registered with USAID in the more distant past. The latter finding may reflect that NGOs which are more experienced and better known collect higher donations than peers which registered more recently. This appears to be in some conflict with the survey results noted in Section 2, according to which donors claimed to focus on NGOs' program spending rather than their reputation or visibility (Hager et al. 2001). Indeed, unproductive spending as reflected in

[20] More precisely, the fundraising overlap of NGO i with the other NGOs along the sectoral and geographical dimension is defined as follows: $Fundraising\ overlap_i = \frac{\sum_{l \neq j}^{559}(Expenses\ for\ Fundraising_j * \frac{Sectors(Countries)active_{ij}}{Sectors\ (Countries)active_j})}{(Population_i)}$ where *Expenses for Fundraising*$_j$ are the expenses for fundraising of NGO j, *Sectors(Countries)active*$_{ij}$ is the number of sectors (countries) in which both NGOs *i* and *j* are active, *Sectors(Countries)active*$_j$ is the total number of sectors (countries) in which NGO *j* is active, and *Population*$_i$ is the total population of the countries in which NGO *i* is active (The weighting with population is only applied to the fundraising overlap along the geographical dimension).

*Price* is not significantly correlated with donations, while it carries the negative sign to be expected if well informed donors preferred NGOs using revenues more productively.

The results on the degree of NGO specialization cast further into doubt that donors make use of available information in order to give to NGOs whose activities are more likely to be aligned with donor preferences. A stronger specialization along the sectoral dimension (*Sectors active*) has no significant impact on the amount of donations. A stronger specialization along the geographical dimension (*Countries active*) even appears to be associated with significantly lower donations. While this finding seems to be in sharp contrast to the proposition of informed donors favoring specialized NGOs, it can be attributed to the endogeneity of *Countries active* (see below).

Turning to the available options of giving, the possibility to donate online is negatively correlated with the amount of donations, whereas the possibility to donate periodically is positively correlated.[21] However, both dummy variables fail to pass conventional significance levels. Most strikingly, the option to tie the NGO's hands on how to spend the donation is associated with a higher amount of donations, at the five percent level of significance. This suggests that the donors trust in the binding character of this easy option, available at almost zero costs of information. This belief may even explain why donors seem to see no need to collect relevant information on the areas of specialization of the NGO in order to allocate donations according to their own preferences and priorities. However, such a behavior could hardly be considered rational, recalling that the designation option becomes meaningless as long as the NGO is able to allocate undesignated funds so as to offset the effect of any designations (Bilodeau and Slivinski 1997: 461).

The baseline results are hardly affected when extending the specification by additional control variables in columns (2) and (3). We include the number of people affected by disasters in $NGO_i$'s country portfolio as well as the population in the largest country where $NGO_i$ is active, mainly to check whether the above noted positive relationship between the number of recipient countries and private donations is robust. This positive relationship could be an indirect result of geographically diversified NGOs receiving higher donations because of disasters in countries where they are active. The likelihood of an NGO being confronted with disasters in countries within its portfolio obviously increases with the degree of diversification along the geographical dimension (and with the size of the recipient countries). Nevertheless, the coefficient of *Countries active* decreases just slightly in size and remains highly significant after controlling for this factor. At the same time, NGOs active in more populous countries, on which donor attention may concentrate,

[21] The negative coefficient of the dummy variable for online donations is fairly surprising. The large majority of NGOs in our sample offers this option. The explanation could be that those NGOs not offering the online option receive particularly large donations from just one or a few private donors (e.g., foundations financed by wealthy philanthropists).

attract higher donations. The coefficient of *Log population (max)* is positive and significant at the one percent level. The coefficient of the number of people affected by disasters is negative, though significant at the ten percent level only in column (2). This appears to contradict the view that private donors routinely react to disasters by giving more. However, *Log population (max)* and *Log people affected by disasters* are highly (positively) correlated giving rise to multicollinearity concerns.[22]

The additional control variables introduced in column (3) do not affect donations in a significant way. Yet, the results on fundraising expenses by other NGOs with a similar portfolio of activities as $NGO_i$ are interesting to note. Independent of whether the overlap of portfolios relates to the geographical dimension (*Log fundraising overlap (countries)*) or the sectoral dimension (*Log fundraising overlap (sectors)*) it appears that two opposing effects cancel out each other: the diversion of donations away from $NGO_i$, and the "awakening" of new donors from which $NGO_i$ benefits even though the fundraising is done by peers with similar activities (Aldashev and Verdier 2010).

Finally, we refine the designation option. In column (4) we enter separate dummy variables set equal to one if the donor can designate along the sectoral dimension (*Designation option: sectors*) and, respectively, the geographical dimension (*Designation option: countries*). It turns out that the previous finding of donations reacting positively to the option to designate is attributable exclusively to the sectoral dimension, while the dummy variable capturing the geographical dimension does not pass conventional significance levels. There is no obvious reason to believe that designations are more effective in tying the NGOs' hands when using the sectoral option. It rather appears that donors have relatively weak preferences on geographical spending patterns compared to sectoral spending patterns.

The coefficient of *Designation option: sectors* is no longer significant at conventional levels when also accounting for the interaction of this dummy variable with the degree of specialization (along the sectoral dimension) in column (5). However, the interaction has no significant impact either. The same applies to the corresponding interaction between designations and specialization along the geographical dimension. This is no longer surprising: Significant interaction terms would imply that donors valued the option to designate in order to better align their preferences with the activities of more diversified NGOs. As noted before, however, donors appear to be unaware that diversified NGOs are less likely to spend in line with donor preferences.

[22] Nonetheless, we opt to include both variables as the hypotheses behind these variables are distinct.

In Table 2 we replicate the extended OLS specifications in columns (3) and (4) of Table 1 by performing 2SLS regressions.[23] As noted in Section 3, we are mainly interested to control for the possible endogeneity of one of our variables of principal interest, the degree of NGO specialization along the geographical dimension. All four estimations reported in Table 2 use as an instrument the average number of countries in the closer neighborhood of the recipient countries in each NGO's portfolio. The instrument proves to be relevant: the coefficient in the first stage regression turns out to be significant at the one percent level and of expected sign. The F-test of excluding instruments shows a value of 17.2 which is clearly above the critical rule of thumb value of 10 (column 1). In addition, we use instruments for *Log official funds*, which represents one of the major control variables, in columns (2) and (4).

The results for most of the control variables are hardly affected when performing 2SLS estimations instead of OLS estimations. There is one important exception, however. The coefficient of *Log official funds* loses its significance once we also use instruments for this control variable.[24] It appears that the above noted crowding-in effects of official funds are not robust. As discussed in Section 2, official refinancing may crowd out private donations - either directly when donors dislike official NGO financing and reduce their giving or redirect it to needier NGOs, or indirectly by weakening the NGOs' incentives to engage in fundraising. According to the results reported in columns (2) and (4) of Table 2, the opposing effects of official refinancing on private donations tend to cancel out each other.

As for our variables of principal interest, the coefficient of *Price* increases considerably in size (in absolute terms). However, it still fails to meet conventional significance levels, which underscores the previous conclusion that private donors do not strongly prefer NGOs whose spending patterns point to a more productive use of revenues. The instrumentation renders *Countries active* statistically insignificant. Importantly, this does not alter the previous conclusion that donors make no use of available information on the degree of NGO specialization in order to reduce the risk that the allocation of NGO funds is misaligned with donor preferences. Both dimensions of NGO specialization now resemble each other in that donations are unaffected. The findings for the options to designate are largely as before in the OLS estimations.[25] Once again, the general option to designate as well as the option to choose specific sectors has a significant and

[23] It proved impossible to replicate the OLS estimation with the interaction terms in column (5) of Table 1. This would have required additional instrumental variables. Given that the interaction terms proved to be insignificant before already, it is unlikely that we miss any relevant insights from being unable to replicate this extended specification.

[24] It may also be noted that the coefficient of *Log population (max)* increases considerably in size, while the significance level deteriorates to the 10 percent level.

[25] The option for online donations (of any type) represents a minor exception. The coefficient of this dummy variable is negative as before, but now even significant at the 10 percent level.

positive effect on the amount of donations, contrary to what the assumption of rational and well-informed donors would suggest.

## 5. Conclusion

Private donations could not only scale up NGO aid. At the same time, well informed donors could render NGO aid more effective. By selecting NGOs with lower "unproductive" expenses, donors could strengthen the development orientation of NGOs; by giving to more specialized NGOs, donors could improve the targeting of NGO aid and better align NGO activities with donor priorities. We combine several publicly available sources of NGO-specific data to empirically assess the determinants of private donations across a large sample of US based NGOs engaged in international development cooperation.

OLS and 2SLS estimations indicate that donors hardly make use of easily accessible information on relevant NGO characteristics, notably the "price of giving" and the degree of specialization, when deciding on donations. They rather rely on the frequently offered option to designate donations to preferred activities. In particular, they attempt to tie the NGOs' hands by obliging them to use donations in preferred sectors of aid – even though this behavior would be rational only under conditions that are highly unlikely to hold.

Clearly, the present analysis does not support general verdicts, as quoted in the beginning, on private donors refusing to be freed from their ignorance. Even though most of the information required for informed choices is easily available online, collecting them still involves search costs that rational donors may prefer to avoid when deciding on donations. Nevertheless, one may deplore that donors are no more engaged in assessing important NGO characteristics in order to identify NGOs performing targeted activities in efficient ways, allocate donations to these NGOs, and thereby render NGO aid more effective. Life appears to be relatively easy for NGOs trying to attract donations – at least as long donors follow a red herring by taking the simple option of ticking a box.

The monitoring of NGOs in international development cooperation could perhaps be strengthened if NGOs were required to provide information on the share of undesignated expenditures and how these are spend, compared to the geographical and sectoral priorities of donors using the option to designate. Individual donors may not refer to such information either for making more informed choices. However, NGO watchdogs probably would – and their improved monitoring may at least indirectly reduce public ignorance and NGO opacity.

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Table 1: Summary statistics

| Variable | Obs. | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| Private contributions | 559 | 12,700,000 | 41,000,000 | 500 | 478,000,000 |
| Expenses for fundraising | 559 | 1,614,580 | 6,876,399 | 0 | 88,100,000 |
| Price | 559 | 1.2 | 0.2 | 1.0 | 2.3 |
| Registration date | 543 | 1997 | 10 | 1977 | 2009 |
| Official funds | 559 | 11,800,000 | 60,800,000 | 0 | 1,130,000,000 |
| Private revenue | 559 | 8,511,858 | 99,700,000 | -33,480 | 2,300,000,000 |
| Share of overseas programs | 559 | 77.6 | 33.6 | 0 | 100 |
| Countries active | 524 | 8.4 | 5.6 | 1 | 21 |
| Sectors active | 524 | 8.1 | 2.8 | 1 | 14 |
| Designation option | 559 | 0.4 | 0.5 | 0 | 1 |
| Designation option: sectors | 559 | 0.2 | 0.4 | 0 | 1 |
| Designation option: countries | 559 | 0.1 | 0.3 | 0 | 1 |
| Designation option: others | 559 | 0.2 | 0.4 | 0 | 1 |
| Periodical donation possible | 556 | 0.5 | 0.5 | 0 | 1 |
| Online donation possible | 555 | 0.8 | 0.4 | 0 | 1 |
| Number of people affected by disasters | 524 | 60,900,000 | 91,200,000 | 0 | 299,000,000 |
| Population (max) | 524 | 510,000,000 | 549,000,000 | 838,699 | 1,320,000,000 |
| Fundraising overlap (countries; weighted by population) | 524 | 0.5 | 0.7 | 0.0 | 5.3 |
| Fundraising overlap (sectors) | 524 | 223,000,000 | 86,800,000 | 0 | 403,000,000 |
| NGO density (US state) | 543 | 42 | 33 | 1 | 94 |
| Countries in the closer neighborhood | 522 | 5.5 | 2.3 | 1.0 | 20.0 |
| UN voting | 524 | 0.20 | 0.09 | 0.03 | 0.80 |
| Contributions to war against Iraq | 517 | 0.1 | 0.1 | 0 | 1 |
| Country dummy: Qatar | 559 | 0.0 | 0.1 | 0 | 1 |
| Sector dummy: "Conflict Management" | 559 | 0.1 | 0.3 | 0 | 1 |
| Sector dummy: "Food security and food aid" | 559 | 0.2 | 0.4 | 0 | 1 |
| Sector dummy: "HIV/AIDS and Infectious Diseases" | 559 | 0.4 | 0.5 | 0 | 1 |
| Sector dummy: "Policy Advocacy" | 559 | 0.1 | 0.3 | 0 | 1 |

Table 2: Determinants of private donations: OLS results

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Log expenses for fundraising | 0.172*** | 0.172*** | 0.173*** | 0.170*** | 0.170*** |
| | (0.016) | (0.016) | (0.016) | (0.016) | (0.016) |
| Price | -0.077 | -0.196 | -0.276 | -0.250 | -0.251 |
| | (0.434) | (0.424) | (0.421) | (0.424) | (0.424) |
| Registration date | -0.030*** | -0.029*** | -0.029*** | -0.029*** | -0.029*** |
| | (0.007) | (0.007) | (0.007) | (0.007) | (0.007) |
| Log official funds | 0.036*** | 0.037*** | 0.034*** | 0.035*** | 0.036*** |
| | (0.009) | (0.009) | (0.010) | (0.010) | (0.010) |
| Log private revenue | 0.140*** | 0.135*** | 0.133*** | 0.133*** | 0.133*** |
| | (0.019) | (0.018) | (0.018) | (0.018) | (0.018) |
| Share of overseas programs | 0.004** | 0.004** | 0.004** | 0.004** | 0.004** |
| | (0.002) | (0.002) | (0.002) | (0.002) | (0.002) |
| Countries active | 0.060*** | 0.047*** | 0.041** | 0.039** | 0.036** |
| | (0.012) | (0.015) | (0.016) | (0.016) | (0.017) |
| Sectors active | 0.027 | 0.028 | 0.019 | 0.022 | 0.021 |
| | (0.022) | (0.022) | (0.042) | (0.043) | (0.042) |
| Designation option | 0.298** | 0.276** | 0.299** | | |
| | (0.131) | (0.132) | (0.133) | | |
| Designation option: sectors | | | | 0.491*** | 0.444 |
| | | | | (0.145) | (0.477) |
| Design. option: sectors * Sectors active | | | | | 0.004 |
| | | | | | (0.054) |
| Designation option: countries | | | | 0.056 | -0.380 |
| | | | | (0.201) | (0.546) |
| Design. option: countries * Countries active | | | | | 0.038 |
| | | | | | (0.042) |
| Designation option: others | | | | 0.234 | 0.229 |
| | | | | (0.192) | (0.193) |
| Periodical donation possible | 0.201 | 0.190 | 0.177 | 0.176 | 0.179 |
| | (0.139) | (0.139) | (0.139) | (0.140) | (0.140) |
| Online donation possible | -0.303 | -0.286 | -0.327 | -0.321 | -0.317 |
| | (0.210) | (0.209) | (0.217) | (0.216) | (0.217) |
| Log people affected by disasters | | -0.054* | -0.053 | -0.053 | -0.052 |
| | | (0.032) | (0.033) | (0.033) | (0.033) |
| Log population (max) | | 0.183*** | 0.237** | 0.238** | 0.241** |
| | | (0.062) | (0.101) | (0.101) | (0.101) |
| Log fundraising overlap (countries) | | | 0.075 | 0.074 | 0.072 |
| | | | (0.098) | (0.097) | (0.097) |
| Log fundraising overlap (sectors) | | | 0.066 | 0.026 | 0.038 |
| | | | (0.226) | (0.230) | (0.231) |
| NGO density (US state) | | | 0.003 | 0.003 | 0.003 |
| | | | (0.002) | (0.002) | (0.002) |
| Constant | 69.481*** | 64.586*** | 63.796*** | 64.193*** | 64.005*** |
| | (14.793) | (14.438) | (15.130) | (15.118) | (15.079) |
| Observations | 518 | 518 | 517 | 517 | 517 |
| R-squared | 0.633 | 0.640 | 0.641 | 0.644 | 0.644 |

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 3: Determinants of private donations: 2SLS results

| | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Log expenses for fundraising | 0.187*** | 0.194*** | 0.183*** | 0.189*** |
| | (0.022) | (0.020) | (0.022) | (0.019) |
| Price | -0.459 | -0.587 | -0.402 | -0.533 |
| | (0.453) | (0.431) | (0.448) | (0.426) |
| Registration date | -0.036*** | -0.034*** | -0.035*** | -0.035*** |
| | (0.009) | (0.010) | (0.009) | (0.010) |
| Log official funds | 0.038*** | 0.040 | 0.039*** | 0.032 |
| | (0.011) | (0.046) | (0.011) | (0.044) |
| Log private revenue | 0.141*** | 0.139*** | 0.139*** | 0.139*** |
| | (0.020) | (0.022) | (0.020) | (0.021) |
| Share of overseas programs | 0.005** | 0.005** | 0.005** | 0.004** |
| | (0.002) | (0.002) | (0.002) | (0.002) |
| Countries active | -0.049 | -0.070 | -0.045 | -0.059 |
| | (0.085) | (0.082) | (0.084) | (0.077) |
| Sectors active | 0.033 | 0.051 | 0.036 | 0.056 |
| | (0.045) | (0.045) | (0.045) | (0.045) |
| Designation option | 0.330** | 0.351** | | |
| | (0.141) | (0.138) | | |
| Designation option: sectors | | | 0.545*** | 0.562*** |
| | | | (0.161) | (0.168) |
| Designation option: countries | | | 0.132 | 0.143 |
| | | | (0.224) | (0.220) |
| Designation option: others | | | 0.228 | 0.236 |
| | | | (0.188) | (0.192) |
| Periodical donation possible | 0.142 | 0.137 | 0.147 | 0.140 |
| | (0.144) | (0.141) | (0.143) | (0.140) |
| Online donation possible | -0.452* | -0.483* | -0.439* | -0.466* |
| | (0.264) | (0.257) | (0.260) | (0.252) |
| Log people affected by disasters | -0.031 | 0.025 | -0.033 | 0.024 |
| | (0.039) | (0.047) | (0.038) | (0.046) |
| Log population (max) | 0.456* | 0.455* | 0.441* | 0.418* |
| | (0.237) | (0.246) | (0.232) | (0.231) |
| Log fundraising overlap (countries) | 0.258 | 0.310 | 0.244 | 0.278 |
| | (0.215) | (0.224) | (0.211) | (0.211) |
| Log fundraising overlap (sectors) | 0.022 | -0.060 | -0.017 | -0.111 |
| | (0.224) | (0.229) | (0.226) | (0.230) |
| NGO density (US state) | 0.004* | 0.004* | 0.004* | 0.004* |
| | (0.002) | (0.002) | (0.002) | (0.002) |
| Constant | 73.930*** | 71.959*** | 74.128*** | 74.974*** |
| | (18.016) | (22.317) | (18.077) | (21.839) |
| Observations | 515 | 510 | 515 | 510 |
| R-squared | 0.618 | 0.609 | 0.624 | 0.619 |
| F-test of excluded instruments | | | | |
| Countries active | 17.23 | 5.37 | 17.69 | 5.30 |
| Official funds (logged) | | 10.13 | | 10.40 |
| Hansen test (p-value) | | 0.63 | | 0.62 |

Notes: (1) and (3) Instrument for Countries active: Average number of countries in the closer neighborhood; (2) and (4) Instruments for Log official funds: UN voting, contributions to war against Iraq, country dummy: Qatar, sector dummies: "Conflict Management", "Food security and food aid", "HIV/AIDS and Infectious Diseases", "Policy Advocacy"; robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

Appendix A: Definition of variables and sources

| Variable | Definition | Source |
|---|---|---|
| Private contributions | Contributions from private donors; 2007 | USAID 2009 VolAg Report, http://www.usaid.gov/our_work/cross-cutting_programs/private_voluntary_cooperation/volag2009.pdf |
| Expenses for fundraising | Fundraising costs; 2007 | USAID 2009 VolAg Report |
| Price | Price of giving; defined as the inverse of the share of service expenditures (total expenditures less fund-raising and administrative expenses) in total expenditures; 2007 | USAID 2009 VolAg Report |
| Registration date | Year of registration at USAID's Registry of private voluntary organizations (PVOs) | USAID, http://pvo.usaid.gov/usaid/pvo.asp?All=YES&INCVOLAG=YES&INCSUM=YES |
| Official funds | Official funding of NGOs; 2007 | USAID 2009 VolAg Report |
| Private revenue | Private revenue of NGOs; 2007 | USAID 2009 VolAg Report |
| Share of overseas programs | Expenses of NGOs for foreign programs as a share of total expenses; in percent; 2007 | USAID 2009 VolAg Report |
| Countries active | Number of countries in which the NGO is active | http://www.pvo.net/usaid/index.html (accessed: May 2010) |
| Sectors active | Number of sectors in which the NGO is active | http://www.pvo.net/usaid/index.html |
| Designation option | Dummy variable equal to one if the NGO offers the possibility to private donors to designate their donations | NGOs' own web pages |
| Designation option: sectors | Dummy variable equal to one if the NGO offers the possibility to private donors to designate their donations to a specific sector | NGOs' own web pages |
| Designation option: countries | Dummy variable equal to one if the NGO offers the possibility to private donors to designate their donations to a specific country | NGOs' own web pages |
| Designation option: others | Dummy variable equal to one if the NGO offers the possibility to private donors to designate their donations to a specific project (from its name the sector and the country cannot be inferred) or to enter self-defined preferred activities in a free text field | NGOs' own web pages |
| Periodical donation possible | Dummy variable equal to one if periodical donations on the NGO's web page are possible (e.g., annually, monthly, …) | NGOs' own web pages |
| Online donation possible | Dummy variable equal to one if online donations are possible | NGOs' own web pages |
| Number of people affected by disasters | Number of people affected by disasters in the recipient countries of the NGO's portfolio; 2006 and 2007 | EM-DAT: The OFDA/CRED International Disaster Database, www.emdat.be, Université Catholique de Louvain, Brussels, Belgium |
| Population (max) | Maximum population of a recipient country in the NGO's country portfolio | World Bank, http://databank.worldbank.org/ddp/home.do |

| | | |
|---|---|---|
| | | (accessed: June 2010) |
| Fundraising overlap (countries; weighted by population) | Fundraising expenditures of other NGOs whose countries overlap with those of NGO i (weighted by population); 2007 | USAID 2009 VolAg Report, World Bank |
| Fundraising overlap (sectors) | Fundraising expenditures of other NGOs whose sectors overlap with those of NGO i; 2007 | USAID 2009 VolAg Report |
| NGO density (US state) | Number of other NGOs in the US state where $NGO_i$'s headquarter is located | USAID 2009 VolAg Report |
| Countries in the closer neighborhood | The average number of countries in the closer neighborhood of the recipient countries in the NGO's portfolio. The closer neighborhood is defined as comprising countries within the average distance between two countries in the world, i.e., about 1,019 kilometers. | The CEPII Databases, http://www.cepii.fr/anglaisgraph/bdd/bdd.htm |
| UN voting | The average voting coincidence in the UN General Assembly between the United States and the recipient countries in each NGO's portfolio; only those votes are counted which are considered "key votes" by the US Department of State; average over 2004-2006 | Dreher and Sturm (2010) |
| Contributions to war against Iraq | Variable indicating whether the recipient countries in the NGO's portfolio contributed to the war against Iraq | *Iraq Year in Review: 2004 Fact Sheet*, U.S. Department of Defense, January 2005, www.defense.gov |
| Country dummy: Qatar | Dummy equal to one if the NGO is active in Qatar | http://www.pvo.net/usaid/index.html |
| Sector dummy: "Conflict Management" | Dummy equal to one if the NGO is active in the sector "Conflict Management" | http://www.pvo.net/usaid/index.html |
| Sector dummy: "Food security and food aid" | Dummy equal to one if the NGO is active in the sector "Food security and food aid" | http://www.pvo.net/usaid/index.html |
| Sector dummy: "HIV/AIDS and Infectious Diseases" | Dummy equal to one if the NGO is active in the sector "HIV/AIDS and Infectious Diseases" | http://www.pvo.net/usaid/index.html |
| Sector dummy: "Policy Advocacy" | Dummy equal to one if the NGO is active in the sector "Policy Advocacy" | http://www.pvo.net/usaid/index.html |

# Appendix B: Correlation matrix

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) | (19) | (20) | (21) | (22) | (23) | (24) | (25) | (26) | (27) | (28) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) Private contributions | 1.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (2) Expenses for fundraising | 0.62 | 1.00 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (3) Price | 0.00 | 0.15 | 1.00 | | | | | | | | | | | | | | | | | | | | | | | | | |
| (4) Registration date | -0.46 | -0.21 | 0.12 | 1.00 | | | | | | | | | | | | | | | | | | | | | | | | |
| (5) Official funds | 0.41 | 0.20 | -0.03 | -0.39 | 1.00 | | | | | | | | | | | | | | | | | | | | | | | |
| (6) Private revenue | 0.62 | 0.39 | 0.00 | -0.43 | 0.38 | 1.00 | | | | | | | | | | | | | | | | | | | | | | |
| (7) Share of overseas programs | 0.02 | -0.01 | -0.06 | -0.08 | -0.08 | -0.15 | 1.00 | | | | | | | | | | | | | | | | | | | | | |
| (8) Countries active | 0.51 | 0.32 | -0.05 | -0.37 | 0.29 | 0.42 | 0.00 | 1.00 | | | | | | | | | | | | | | | | | | | | |
| (9) Sectors active | 0.13 | 0.06 | -0.05 | -0.11 | 0.10 | 0.04 | 0.10 | 0.13 | 1.00 | | | | | | | | | | | | | | | | | | | |
| (10) Designation option | 0.21 | 0.15 | -0.16 | -0.13 | 0.04 | 0.14 | 0.02 | 0.13 | 0.08 | 1.00 | | | | | | | | | | | | | | | | | | |
| (11) Designation option: sectors | 0.26 | 0.22 | -0.12 | -0.11 | 0.03 | 0.15 | 0.03 | 0.19 | 0.12 | 0.56 | 1.00 | | | | | | | | | | | | | | | | | |
| (12) Designation option: countries | 0.18 | 0.15 | -0.12 | -0.06 | 0.09 | 0.14 | 0.05 | 0.19 | 0.04 | 0.39 | 0.26 | 1.00 | | | | | | | | | | | | | | | | |
| (13) Designation option: others | -0.03 | -0.08 | -0.06 | -0.04 | -0.02 | -0.02 | -0.01 | -0.06 | -0.01 | 0.57 | -0.21 | -0.15 | 1.00 | | | | | | | | | | | | | | | |
| (14) Periodical donation possible | 0.21 | 0.28 | -0.08 | -0.12 | 0.03 | 0.10 | 0.07 | 0.08 | 0.06 | 0.18 | 0.11 | 0.06 | 0.11 | 1.00 | | | | | | | | | | | | | | |
| (15) Online donation possible | 0.20 | 0.35 | -0.06 | -0.12 | 0.02 | 0.12 | 0.04 | 0.09 | 0.12 | 0.35 | 0.20 | 0.15 | 0.18 | 0.44 | 1.00 | | | | | | | | | | | | | |
| (16) Number of people affected by disasters | 0.34 | 0.17 | -0.02 | -0.19 | 0.17 | 0.26 | -0.01 | 0.59 | 0.07 | 0.11 | 0.12 | 0.14 | -0.02 | 0.09 | 0.07 | 1.00 | | | | | | | | | | | | |
| (17) Population (max) | 0.40 | 0.22 | 0.02 | -0.24 | 0.18 | 0.33 | -0.02 | 0.60 | 0.06 | 0.13 | 0.14 | 0.16 | -0.03 | 0.09 | 0.07 | 0.83 | 1.00 | | | | | | | | | | | |
| (18) Fundraising overlap (countries; weighted by population) | -0.24 | -0.11 | -0.03 | 0.13 | -0.12 | -0.18 | -0.01 | -0.30 | 0.01 | -0.08 | -0.06 | -0.09 | 0.00 | -0.03 | 0.04 | -0.61 | -0.82 | 1.00 | | | | | | | | | | |
| (19) Fundraising overlap (sectors) | 0.09 | 0.07 | -0.13 | -0.06 | 0.00 | -0.01 | 0.15 | 0.09 | 0.84 | 0.09 | 0.16 | 0.03 | -0.02 | 0.06 | 0.15 | 0.06 | 0.03 | 0.05 | 1.00 | | | | | | | | | |
| (20) NGO density (US state) | 0.12 | 0.03 | 0.15 | -0.08 | 0.23 | 0.09 | 0.04 | 0.08 | 0.02 | -0.08 | -0.07 | -0.08 | 0.00 | 0.04 | -0.02 | -0.04 | 0.04 | -0.09 | -0.11 | 1.00 | | | | | | | | |
| (21) Countries in the closer neighborhood | -0.09 | 0.00 | 0.03 | 0.04 | 0.01 | -0.07 | 0.06 | -0.02 | 0.01 | -0.05 | -0.06 | -0.02 | 0.01 | -0.12 | -0.10 | -0.32 | -0.33 | 0.34 | -0.01 | 0.06 | 1.00 | | | | | | | |
| (22) UN voting | -0.02 | 0.06 | 0.00 | -0.01 | -0.07 | 0.04 | -0.03 | -0.03 | 0.00 | -0.03 | -0.03 | -0.01 | -0.01 | -0.01 | 0.04 | -0.27 | -0.26 | 0.39 | -0.02 | -0.03 | 0.49 | 1.00 | | | | | | |
| (23) Contributions to war against Iraq | -0.05 | 0.02 | -0.01 | -0.01 | 0.08 | -0.02 | -0.01 | 0.01 | 0.01 | 0.04 | 0.01 | -0.02 | 0.05 | -0.06 | -0.06 | -0.10 | -0.02 | -0.11 | -0.01 | 0.05 | 0.30 | 0.33 | 1.00 | | | | | |
| (24) Country dummy: Qatar | 0.01 | -0.03 | 0.04 | 0.05 | 0.05 | 0.06 | -0.14 | 0.03 | 0.00 | -0.05 | -0.03 | -0.02 | -0.03 | -0.06 | -0.14 | 0.01 | 0.00 | -0.03 | -0.04 | -0.06 | 0.00 | -0.04 | 0.05 | 1.00 | | | | |
| (25) Sector dummy: "Conflict Management" | -0.04 | -0.08 | 0.09 | 0.04 | 0.14 | -0.02 | 0.01 | 0.07 | 0.10 | 0.04 | -0.03 | 0.04 | 0.09 | 0.00 | 0.03 | -0.03 | -0.04 | 0.00 | 0.02 | 0.16 | 0.11 | 0.03 | 0.10 | -0.02 | 1.00 | | | |
| (26) Sector dummy: "Food security and food aid" | 0.03 | 0.02 | -0.09 | -0.03 | 0.08 | -0.02 | 0.06 | 0.03 | 0.26 | 0.07 | 0.18 | 0.03 | -0.06 | -0.07 | 0.02 | -0.01 | -0.07 | 0.12 | 0.29 | -0.07 | 0.09 | -0.03 | -0.04 | -0.03 | -0.10 | 1.00 | | |
| (27) Sector dummy: "HIV/AIDS and Infectious Diseases" | 0.07 | -0.01 | -0.07 | -0.09 | 0.12 | 0.00 | 0.13 | 0.13 | 0.24 | 0.05 | 0.07 | -0.01 | 0.01 | 0.05 | 0.00 | 0.12 | 0.08 | 0.01 | 0.36 | -0.03 | -0.04 | -0.18 | -0.06 | 0.01 | -0.07 | 0.09 | 1.00 | |
| (28) Sector dummy: "Policy Advocacy" | 0.07 | 0.09 | 0.08 | 0.00 | 0.21 | 0.08 | -0.15 | 0.07 | 0.11 | -0.03 | -0.02 | -0.04 | -0.01 | 0.00 | 0.05 | 0.05 | 0.08 | -0.14 | 0.02 | 0.22 | 0.03 | -0.02 | 0.14 | 0.07 | 0.19 | -0.08 | -0.07 | 1.00 |